The National Right to Work Act would leave the following language completely intact: ''Employees shall have the right to self-organization, to form, join or assist labor organizations to bargain collectively through representatives of their own choosing and to engage in other concerted activities for the purposes of collective bargaining or other mutual aid or protection and shall have the right to refrain from any or all such activity''.

Mr. Speaker that is where the Right to Work Act would put the period. I want to make it clear, the National Right to Work Act maintains employees' rights to join or assist a labor organization. The National Right to Work Act maintains employees' rights to bargain collectively through representatives of their own choosing.

What the National Right to Work Act removes is the following four lines and its supporting lines. ''Except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment.''

That is what opponents of the National Right to Work Act object to, Mr. Speaker. Eliminating the right currently held by union officials to force workers to pay union dues as a condition of employment.

Opponents of this bill object to allowing individual workers the right to decide for themselves whether or not they wish to join or pay dues to a labor union.

Mr. Speaker, what opponents of this bill object to is taking away the power union officials currently have to tell America's workers to either pay up or get fired.

Mr. Speaker, why are opponents of this bill afraid to give a voice to workers? It is because union officials know that their agenda is different than their workers.

As President Clinton's former Labor Secretary said: ''In order to maintain themselves, they have to hold their members to the mast, hold their feet to the fire.''

The Right to Work principle affirms the right of all Americans to work where they want and for whom they want without coercion of any kind to join or not join or financially support labor unions.

Mr. Speaker, One of America's great founding fathers, and U.S. President, Thomas Jefferson, once wrote: ''To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves is sinful and tyrannical.''

Mr. Speaker, today millions of Americans are being forced to contribute money for the propagation of opinions that they do not believe in.

It is time to have a vote on the National Right to Work Act. It is time to let the American people know if their Representatives support individual liberty or compulsion.

SUBCHAPTER S REVISION ACT OF 1998

HON. E. CLAY SHAW, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1998

Mr. SHAW. Mr. Speaker, today over 2 million businesses pay taxes as S corporations and the vast majority of these are small businesses. The S Corporation Revision Act of 1998 is targeted to these small business by improving their access to capital, preserving family-owned businesses, and lifting obsolete and burdensome restrictions that unnecessarily impede their growth. It will permit them to grow and compete in the next century.

Even after the relief provided in 1996, S corporations face substantial obstacles and limitations not imposed on other forms of entities. The rules governing S corporations need to be modernized to bring them more on par with partnerships and C corporations. For instance, S corporations are unable to attract the senior equity capital needed for their survival and growth. This bill would remove this obsolete prohibition and also provide that S corporations can attract needed financing through convertible debt.

Additionally, the bill helps preserve family-owned businesses by counting all family members as one shareholder for purposes of S corporation eligibility. Under current law, multigenerational family businesses are threatened by the 75 shareholder limit which counts each family member as one shareholder. Also, nonresident aliens would be permitted to be shareholders under rules like those now applicable to partnerships. The bill would eradicate other outmoded provisions, many of which were enacted in 1958.

The following is a detailed discussion of the bill's provisions.

TITLE I—SUBCHAPTER S EXPANSION

SUBTITLE A—ELIGIBLE SHAREHOLDERS OF AN S CORPORATION

SEC. 101. Members of family treated as one shareholder—All family members within seven generations who own stock could elect to be treated as one shareholder. The election would be made available to only one family per corporation, must be made with the consent of all shareholders of the corporation and would remain in effect until terminated. This provision is intended to keep S corporations within families that might span several generations.

SEC. 102. Nonresident aliens—This section would provide the opportunity for aliens to invest in domestic S corporations and S corporations to operate abroad with a foreign shareholder by allowing nonresident aliens (individuals only) to own S corporation stock. Any effectively-connected U.S. income allocable to the nonresident alien would be subject to the withholding rules that currently apply to foreign partners in a partnership.

SUBTITLE B—QUALIFICATION AND ELIGIBILITY REQUIREMENTS OF S CORPORATIONS

SEC. 111. Issuance of preferred stock permitted—An S corporation would be allowed to issue either convertible or plain vanilla preferred stock. Holders of preferred stock would not be treated as shareholders; thus, ineligible shareholders like corporations or partnerships could own preferred stock interests in S corporations. A payment to owners of the preferred stock would be deemed an expense rather than a dividend by the S corporation and would be taxed as ordinary income to the shareholder. Subchapter S corporations would receive the same recapitalization treatment as family-owned C corporations. This provision would afford S corporations and their shareholders badly needed access to senior equity.

SEC. 112. Safe harbor expanded to include convertible debt—An S corporation is not considered to have more than one class of stock if outstanding debt obligations to shareholders meet the ''straight debt'' safe harbor. Currently, the safe harbor provides that straight debt cannot be convertible into stock. The legislation would permit a convertibility provision so long as that provision is substantially the same as one that could have been obtained by a person not related to the S corporation or S corporation shareholders.

SEC. 113. Repeal of excessive passive investment income as a termination event.—This provision would repeal the current rule that terminates S corporation status for certain corporations that have both subchapter C earnings and profits and that derive more than 25 percent of their gross receipts from passive sources for three consecutive years.

SEC. 114. Repeal passive income capital gain category—The legislation would retain the rule that imposes a tax on those corporations possessing excess net passive investment income, but, to conform to the general treatment of capital gains, it would exclude capital gains from classification as passive income. Thus, such capital gains would be subject to a maximum 20 percent rate at the shareholder level in keeping with the 1997 tax law change. Excluding capital gains also paralles their treatment under the PHC rules.

SEC. 115. Allowance of charitable contributions of inventory and scientific property—This provision would allow the same deduction for charitable contributions of inventory and scientific property used to care for the ill, needy or infants for subchapter S as for subchapter C corporations. In addition, S corporations would no longer be disqualified from making ''qualified research contributions'' (charitable contributions of inventory property to educational institutions or scientific research organizations) for use in research or experimentation. The S corporation's shareholders would also be permitted to increase the basis of their stock by the excess of deductions for charitable contributions over the basis of the property contributed by the S corporation.

SEC. 116. C corporation rules to apply for fringe benefit purposes—The current rule that limits the ability of ''more-than-two-percent'' S corporation shareholder-employees to exclude certain fringe benefits from wages would be repealed for benefits other than health insurance. Under this bill, fringe benefits such as group-term life insurance would become excludable from wages for these shareholders. However, health care benefits would remain taxable to the extent provided for partners.

SUBTITLE C—TAXATION OF S CORPORATION SHAREHOLDERS

SEC. 120. Treatment of losses to shareholders—A loss recognized by a shareholder in complete liquidation of an S corporation would be treated as an ordinary loss to the extent the shareholder's adjusted basis in the S corporation stock is attributable to ordinary income that was recognized as a result of the liquidation. Suspended passive activity losses from C corporation years would be allowed as deductions when and to the extent they would be allowed to C corporations.

SUBTITLE D—EFFECTIVE DATE

SEC. 130. Effective date—Except as otherwise provided, the amendments made by this Act shall apply to taxable years beginning after December 31, 1998.

TITLE II—SENSE OF THE HOUSE OF REPRESENTATIVES RESOLUTION

SEC. 201. The House would go on record in opposition to the President's Fiscal Year 1999 budget proposal to treat the conversion of ''large'' C corporations to S corporations as taxable liquidations, for this would be harmful to the business community and would effectively prohibit many businesses from making S elections in the future.